

# IRS Orders Dodd Case Tax Probe

## Treasury Men Say Senator Is Facing 'Probable' Claim

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The Internal Revenue Service has ordered its agents to make a far-reaching tax investigation here and in Connecticut of Sen. Thomas J. Dodd's financial affairs.

Treasury officials told The Washington Post last night that a tax claim against the Senator is "probable." Whether it will involve criminal charges for tax evasion or will merely be a civil matter is uncertain, according to a highly placed source in IRS.

The Senator's potential tax liability arises out of funds he received from "testimonial" dinners and cocktail parties in 1961, 1963 and 1965.

Dodd's associates have said that the proceeds from these gatherings were "gifts" to the Connecticut Democrat, that they were used, in part, to repair personal fortunes, and that they were nontaxable.

### Proof Is Up to Dodd

IRS officials, however, said that the burden of proof is on Dodd to show that the money involved—reportedly between \$170,000 and \$200,000—was donated for Dodd's personal use rather than to meet the direct expenses of his political campaigns.

At the 1961 and 1963 dinners, then Vice President Johnson was the principal speaker. Vice President Humphrey gave the major address at the 1965 dinner in Hartford. Both Mr. Johnson and Humphrey have said that they were unaware that the proceeds of these dinners would be turned over to Dodd as "gifts" for his personal use. These statements by Mr. Johnson and Humphrey were

factors in the IRS decision to initiate the investigation of Dodd.

Intimation of an income tax prosecution was, in effect, the IRS reply to a charge yesterday by Sen. John J. Williams (R-Del.) that the IRS was attempting to help Dodd escape tax liability on "testimonial gifts."

Williams said IRS officials have hinted that Dodd may owe no taxes because of loopholes in the tax law and are quietly lobbying at the Capitol for a new law that would "excuse past violations."

"This would be a neat trick," Williams declared, "... if they (IRS) could get Congress and the public to accept it. I flatly refuse to be a part of any such backstage plan."

IRS Commissioner Sheldon Cohen denied the Williams allegation and said he has neither authorized nor heard of any lobbying on the matter by IRS.

Williams's charge came in the wake of spreading controversy over the Dodd affair and in the context of widespread expressions of concern in Congress over the ethical standards of men in public life.

Within the past week it has been disclosed that several Congressmen—Dodd, Sen. Thomas McIntyre (D-N.H.), Rep. Robert Gialmo (D-Conn.), Rep. Thomas Morgan (D-Pa.) and others—have been the beneficiaries of political contributions, not earmarked for campaign purposes. More disclosures of this nature are expected.

"I feel strongly," Sen. Clifford Case (R-N.J.) told the Senate yesterday, "that both the giving and receiving of such contributions are thoroughly bad public policy."

As a minimum step, Case urged the Senate to enact legislation requiring all members of Congress to disclose the sources of their income and to give a public accounting of their financial holdings.

In the House, Rep. Charles Bennett (D-Fla.) said the Dodd case has raised an issue "highly embarrassing to every

member of the Senate" and has emphasized the need for new legislation. Bennett proposed the creation of a Commission on Ethics in the Federal Government, the creation of a House Committee on Grievances to receive detailed financial reports from House members, and a more effective lobbying law to be administered by the Comptroller General.

It was Williams, however, who bored into the Dodd case without regard for the niceties of Senatorial "courtesy."

He put into the record a solicitation letter used to raise funds for Dodd in 1963 which showed, Williams said, that the money was intended for Dodd's 1964 re-election campaign.

"Any effort to claim that campaign funds diverted to the personal use of a public official are not taxable is a farce," Williams declared. "In fact, as far as I am concerned even if the Member does pay tax on these diverted funds it is still improper."

Williams introduced a letter written on Oct. 16, 1963, by Paul V. McNamara of Bridgeport, Conn. It solicited contributions to a \$100-per-person cocktail party and a \$25-per-plate dinner in Fairfield County on Oct. 26. The principal attraction was Mr. Johnson and the purpose of the fund-raising, according to McNamara's letter, was as follows:

"In 1964, our friend, Sen. Thomas J. Dodd will campaign for re-election. It does not seem necessary for me to stress the heavy financial burden this campaign will involve. For this reason, it is necessary for those of us who can to assist him in presenting a vigorous campaign."

McNamara said yesterday "it sounds like my letter. If it is, it speaks for itself. Although it wasn't specified in the letter, I was aware in my own mind that the Senator was heavily encumbered from past campaigns and would have to meet those debts to every get ready for 1964."